

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 12, 2018

Advice Letter 4038-G

Erik Jacobson
Director, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

**SUBJECT: Annual Gas True-Up of Gas Transportation Balancing Accounts for Rates
Effective January 1, 2019**

Dear Mr. Jacobson:

Advice Letter 4038-G is effective as of January 1, 2019. All balances in the accounts authorized for recovery are subject to audit, verification and adjustment.

Sincerely,

A handwritten signature in dark ink, appearing to read "Edward Randolph".

Edward Randolph
Director, Energy Division

Erik Jacobson
Director
Regulatory Relations

Pacific Gas and Electric Company
77 Beale St., Mail Code B13U
P.O. Box 770000
San Francisco, CA 94177

Fax: 415-973-3582

November 1, 2018

Advice 4038-G

(Pacific Gas and Electric Company ID U 39G)

Public Utilities Commission of the State of California

Subject **Annual Gas True-Up of Gas Transportation Balancing Accounts for Rates Effective January 1, 2019**

Purpose

Pacific Gas and Electric Company (PG&E) submits this Annual Gas True-Up (AGT) of gas transportation balancing accounts to amortize account balances in core and noncore gas transportation rates effective January 1, 2019. This advice letter also provides a *preliminary* estimate of projected gas transportation and Public Purpose Program (PPP) Surcharge revenues authorized by, or currently pending before and expected to be authorized by, the California Public Utilities Commission (Commission or CPUC) for rates effective January 1, 2019.

Consistent with prior years, this AGT advice letter does not include 2019 gas procurement-related revenue requirement changes, which will be submitted in PG&E's monthly core procurement advice letter in late December 2018.

PG&E requests approval of this Tier 2 advice letter within 30 days (by December 1, 2018) with an effective date of January 1, 2019. PG&E will submit a separate Tier 1 advice letter in late December consolidating all final authorized revenue requirements and updated forecast end-of-year gas transportation balancing accounts for rates effective January 1, 2019.

Overview of Preliminary AGT

PG&E's preliminary estimate of its 2019 gas transportation revenue requirements is \$3,745 million, which is a \$159 million increase compared to present rates. Table 1 summarizes the major components of PG&E's 2019 gas transportation revenue requirements.

December AGT supplemental submittal. The amount reflected in this advice letter is equal to the 2015 and partial 2016 award of \$21.9 million.⁸ The gas portion of the award is \$3.3 million and is recovered through the CEEIA rate component.

Greenhouse Gas (GHG) Natural Gas Costs and Revenue Return – (Attachment 1, Lines 8-10)

On March 22, 2018, the Commission approved final decision D. 18-03-017 modifying D. 15-10-032 under Rulemaking 14-03-003. By this decision the Commission distributed GHG allowance proceeds solely to residential customers of the natural gas utilities and provided the necessary legal rationale for that decision, pursuant to the limited rehearing granted by D. 16-04-013. The Commission found that Public Utilities Code Section 453.5 does not apply to allocation of GHG allowance proceeds for the natural gas utilities. Pursuant to California Code of Regulations Chapter 17 Section 95893(d), the Commission adopted an allocation methodology that distributes GHG proceeds solely to residential natural gas customers on a non-volumetric basis.

In addition, the Commission ordered that the residential natural gas California Climate Credit must be distributed in April of each year. GHG compliance costs were included in rates beginning July of 2018. D. 18-03-017 required that the 2018 costs be amortized over 18 months. PG&E's 2019 forecasted greenhouse gas compliance and operational costs total \$187.8 million.⁹ The forecasted 2019 GHG proceeds of \$129 million will be distributed to residential customers on their April 2019 bills. Additionally, PG&E has included Tables A-E as required by D.15-10-032 and D.18-03-017, in Attachment 6 of this advice letter. These tables detail the forecasted and recorded GHG costs, including the Outreach and Administrative expenses, allowance proceeds, and Compliance Obligation over time.

Gas Public Purpose Program Authorized Funding

This AGT incorporates gas PPP surcharge changes that were submitted in Advice 4037-G on October 31, 2018. The gas PPP surcharge rate impacts on customers are shown in Attachment 1.

Public Utilities Code Sections 890-900 and D. 04-08-010 authorize a gas surcharge rate to fund public purpose programs. The gas PPP Surcharge advice letter updates the natural gas PPP surcharge rates to fund authorized energy efficiency (EE), energy savings assistance program (ESA), Statewide Marketing Education and

⁸ On December 14, 2017, the Commission issued Resolution E-4897, approving PG&E's 2015 and partial 2016 ESPI award of \$21.9 million. However, this amount was not recovered in PG&E's 2018 gas and electric rates because it was fully offset by the 2006-2008 Risk/Reward Incentive Mechanism (RRIM) Adjustments.

⁹ Includes \$58.4 million undercollection from 2018.

Outreach (SWME&O) (for EE and ESA), CARE, public-interest research, development and demonstration (RD&D) programs and Board of Equalization (BOE) administrative costs.

The gas PPP surcharges proposed include:

- 1) Total gas PPP authorized program funding of \$161.2 million for EE, ESA, CARE administrative expenses, RD&D, BOE administrative costs and SWME&O administrative costs. This represents a \$1.6 million increase from 2018;
- 2) Amortization over 12 months of forecasted December 31, 2018 balances in the PPP surcharge balancing accounts totaling a \$25.6 million overcollection. This represents an \$2.8 million increase from 2018; and
- 3) A projected 2019 CARE revenue shortfall of \$126.4 million, which represents a \$9.6 million increase from the forecasted 2018 CARE customer discount. This shortfall is included in the PPP-CARE portion of the gas PPP surcharge rates for 2019 and accounted for as a reduction of net transportation revenue requirement in rates for a zero-sum impact on the total gas revenue requirement.

Gas Transmission and Storage Rates

On November 17, 2017, PG&E filed A. 17-11-009, *2019 Gas Transmission & Storage Rate Case*. PG&E requested a revenue requirement of \$1.589 billion, an increase of \$357 million over the 2018 authorized GT&S revenue requirement. A proposed decision is not anticipated prior to year end, therefore PG&E is including the 2018 authorized revenue requirements in rates on January 1, 2019, and until a decision is reached in the 2019 GT&S Rate Case.

The following table shows total annual 2018 revenue requirements authorized by D. 16-12-010, which will be held constant in 2019. A portion of the backbone and the storage revenue requirements shown below are recovered in PG&E's core procurement rates and from Core Transport Agents and are not included in the revenue requirement tables or rates provided in this advice letter. Recovery of these portions of the backbone and storage revenue requirements shown below will occur in PG&E's monthly procurement advice letters effective during 2019.

Annual 2019 Gas Transmission and Storage Revenue Requirements
(\$ thousands)

Total Annual GT&S Revenue Requirements	GT&S 2018
Total Backbone	\$347,453
Total Local Transmission	792,339
Total Storage	90,651
Total Customer Access Charge	2,507
Total GT&S ¹⁰	\$1,232,950

In addition to these 2019 revenue requirements, in this advice letter, PG&E will include \$176.7 million¹¹ in rates on January 1, 2019 related to the net undercollection.

Gas Cost Allocation Proceeding

On September 14, 2017, PG&E filed A. 17-09-006, *2018 Gas Cost Allocation Proceeding*. PG&E requested adoption of an updated throughput and customer forecast, updated cost allocation, updated EG CPUC Fee, NGV Compression Cost, and Core Brokerage Fee components, and changes to its residential gas rate design. A final decision is not anticipated prior to year end, Therefore, the GCAP-related allocations and rate designs included in this 2019 AGT remain those authorized in PG&E's 2010 BCAP (D.10-06-035).

Confidentiality

Per GO 66-C, Section 583 of the Public Utilities Code, and D. 15-10-032, specific values in Attachment 7 are confidential as described in the attached confidentiality declaration.

Protests

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than November 21, 2018, which is 20 days after the date of this submittal. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor

¹⁰ Totals may not tie due to rounding.

¹¹ See line 21 of Attachment 1. Per D. 16-06-056 and D.16-12-010, the net undercollection is to be collected in rates over 36 months, from August 1, 2016 through July 31, 2019. PG&E will remove the undercollection from rates on August 1, 2019.

San Francisco, California 94102

Facsimile: (415) 703-2200

E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Erik Jacobson
Director, Regulatory Relations
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B13U
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-3582

E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

Effective Date

PG&E requests that this Tier 2 submittal be approved within 30 days of submittal (by December 1, 2018), with an effective date of January 1, 2019.

As noted above, illustrative average rates are shown on Attachments 3 through 5 of this submittal. PG&E will submit final rates and preliminary statement changes in a separate December 2018 advice letter that will consolidate all year-end gas transportation rate changes authorized to be effective on January 1, 2019.¹² Changes to core gas transportation rates will be incorporated into the monthly core procurement advice submittal for rates effective January 1, 2019.

¹² The advice letter for monthly core gas procurement rates will be submitted in a separate advice letter in December 2018.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service list for A.09-05-026, R.02-10-001, A.13-12-012, A.15-09-001, A.13-09-015, and R.14-03-003. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter submittals can also be accessed electronically at: <http://www.pge.com/tariffs/>.

_____/S/

Erik Jacobson
Director, Regulatory Relations

Attachments

- Attachment 1: 2019 Revenue Requirements
 - Attachment 1A: 2019 Revenue Requirements Allocation to Core/Noncore/Unbundled
 - Attachment 2: Balancing Account Forecast Summary
 - Attachment 3: Average End-User Gas Transportation Rates and Public Purpose Program Surcharges
 - Attachment 4: Summary of Rates by Class by Major Elements
 - Attachment 5: Allocation of Gas End-Use Transportation Revenue Requirements and Public Purpose Program Surcharge Revenues across Classes
 - Attachment 6: Natural Gas GHG Tables
 - Public Attachment 6:
 - Table A: Forecast Revenue Requirement
 - Table C: GHG Allowance Proceeds
 - Table D: GHG Outreach and Administrative Expense
 - Table E: Compliance Obligation Over Time
 - Confidential Attachment 6:
 - Table B: Recorded GHG Costs
 - PG&E's 2019 Natural Gas GHG Limit
 - Attachment 7: Confidentiality Declaration
- cc: 2009 Biennial Cost Allocation Proceeding (BCAP) (A.09-05-026) (Public Version)
 Gas PPP Surcharge (R.02-10-001) (Public Version)
 2015 Gas Transmission and Storage Proceeding (A.13-12-012) (Public Version)
 2017 GRC Phase I (A.15-09-001) (Public Version)
 AB 32 Natural Gas Supplier Cost Recovery (A.13-09-015) (Public Version)
 Greenhouse Gas Natural Gas OIR (R.14-03-003) (Public Version)
 Eugene Cadenasso, Energy Division (Public and Confidential Versions)

EXHIBIT C

Table C: GHG Allowance Proceeds

Line	Description	2018		2019	
		Forecast	Recorded/ Forecast	Forecast	Recorded
1	Proxy GHG Allowance Price (\$/MT)	\$ 15.55	14.96	\$ 16.33	
2	Directly Allocated Allowances	17,778,400	17,778,400	17,398,006	
3	Percentage Consigned to Auction	40%	40%	45%	
4	Consigned Allowances	7,111,360	7,111,360	7,829,103	
5	Allowance Proceeds (See Note 1)	\$ (110,581,648)	\$ (106,412,613)	\$ (127,849,247)	
6	Previous Year's Revenue Balancing Subaccount Balance (See Note 2)				
7	Interest*		\$ (3,276,331)		
8	Subtotal Allowance Proceeds (\$) (Line 5 + Line 6 + Line 7)	\$ (110,581,648)	\$ (109,688,944)	\$ (127,849,247)	\$ -
9	Outreach and Admin Expenses (\$)* (from Table D)	\$ 1,152,303	\$ 843,778	\$ 575,270	
9a	Revenue Fees & Uncollectibles	\$ (1,467,557)	\$ (1,459,723)	\$ (1,701,653)	
10	Net GHG Proceeds Available for Customer Returns (\$) (Line 8 + Line 9)	\$ (110,896,902)	\$ (110,304,888)	\$ (128,975,630)	
11	2015-2017 Net of Costs and Proceeds included in October 2018 Customer Credit		\$ (38,395,768)		
12	Number of Residential Households		5,001,522	5,061,931	
13	Per Household California Climate Credit (\$) ((Line 10+Line 11) / Line 12)		\$ (29.73)	\$ (25.48)	

NOTES

- Year 2018 Recorded: Represents the allowances proceeds in 2018 through 9/30/18 and forecast proceeds based on remaining expected consigned allowances multiplied by the proxy price of vintage 2018 California Carbon Allowance Future.
- 2018 GHG Revenue Proceeds are being credited to customers in October 2018. The 2018 balance is assumed to be zero.